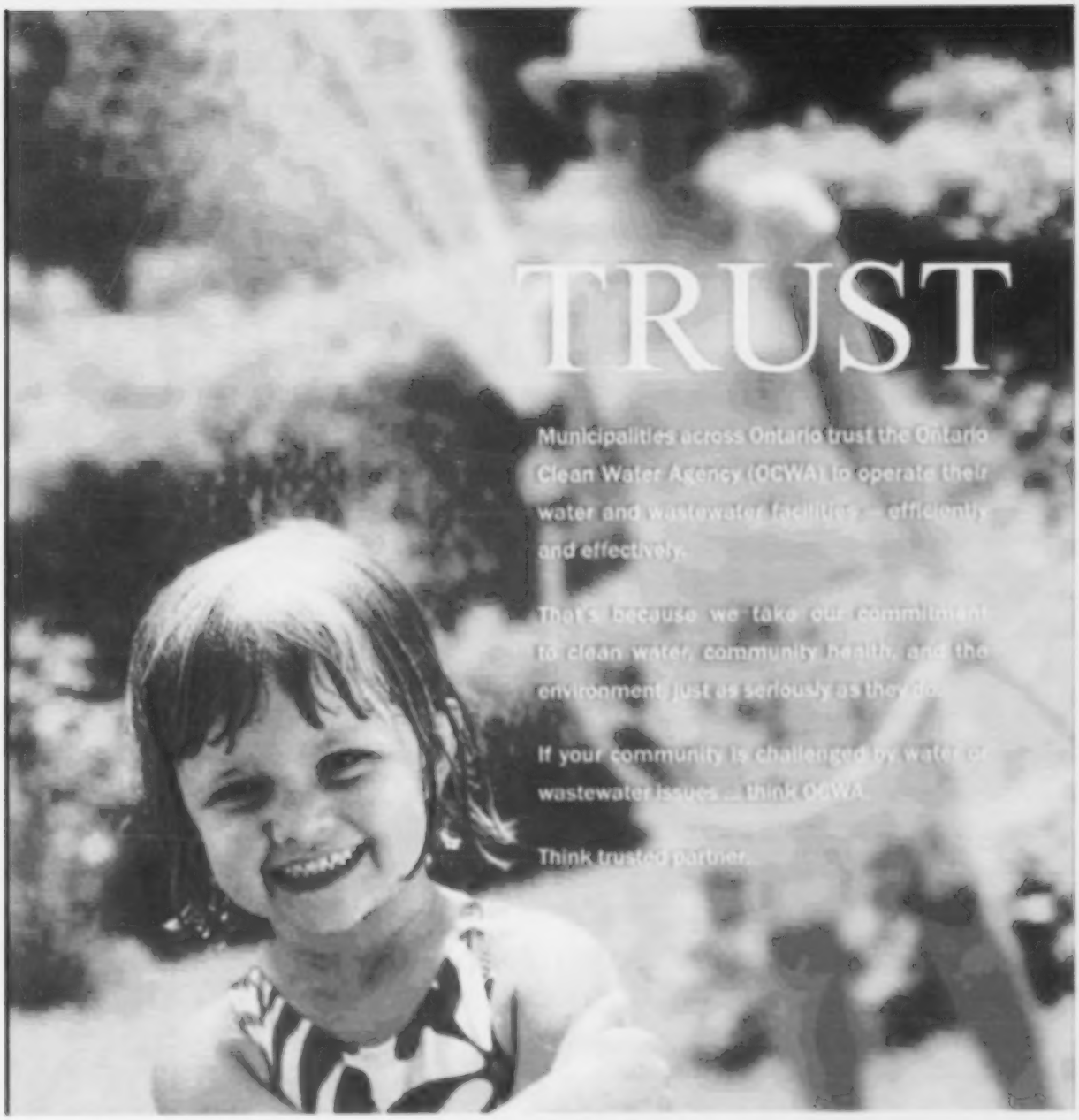
ONTARIO CLEAN WATER AGENCY
AGENCE ONTARIENNE DES EAUX

ANNUAL REPORT 2010

PERFORMANCE THROUGH ACCOUNTABILITY


TRUST
Municipalities across Ontario trust the Ontario Clean Water Agency (OCWA) to operate their water and wastewater facilities – efficiently and effectively.
That's because we take our commitment to clean water, community health, and the environment just as seriously as they do.
If your community is challenged by water or wastewater issues – think OCWA.
Think trusted partner.

ONTARIO CLEAN WATER AGENCY
AGENCE ONTARIENNE DES EAUX

For additional information, or to enquire about job opportunities, call us at **1-800-667-OCWA** or look us up on the internet at **www.ocwa.com.**

Our Vision

To be the most trusted provider of clean water services.

Our Mission

To demonstrate service excellence to our clients through the delivery of safe, reliable, and cost-effective water and wastewater services.

Our Values

OCWA's values are focused on building TRUST with clients and other stakeholders.

Transparent

Open and honest communication of our business activities.

Respectful

Build sound relationships with our staff, clients, and other stakeholders, by acting responsibly and doing what is right.

Understanding

Confidence in the knowledge and ability of our people to meet the challenges of the water and wastewater industry.

Safe

Deliver clean water services to protect our employees, the communities we serve, and the environment.

Teamwork

Work together and share our collective expertise to deliver exceptional results and achieve our mission.

Contents

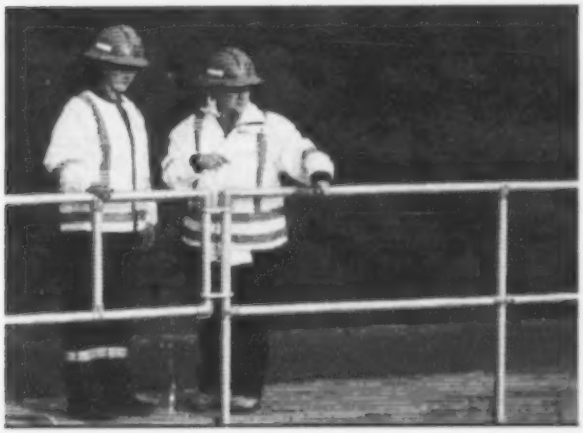
Corporate Profile	4
Joint Message from the Chair and President & CEO	5
Corporate Governance	6
Board of Directors	8
Officers of the Agency	10
Activities and Accomplishments, 2010	11
Improving Client Service	11
Achieve Business Growth	13
Operational Highlights - Efficient and Compliant Operations	13
Enterprise Risk Management	16
Empowering Employees to Succeed	16
Delivering Value to the Province	17
OCWA's Commitment to Social Responsibility	17
Summary of Performance Measure for 2010	20
Performance by the Numbers	21
2011 and Beyond	22
Management's Responsibility for Financial Information	23
Financial Discussion	24
Auditor's Report	26
Balance Sheet—Assets	27
Balance Sheet—Liabilities and Equity	28
Statement of Income and Retained Earnings	29
Statement of Cash Flows	30
Notes to Financial Statements	31
OCWA Office Locations	40

Corporate Profile

The Ontario Clean Water Agency (OCWA) is Ontario's largest water and wastewater service provider with decades of experience. OCWA provides safe, reliable and cost-effective clean water services to municipalities, First Nations communities, institutions and businesses.

Leading Provider in Water & Wastewater Service

OCWA's core business is the operation, maintenance and management (OM&M) of water and wastewater treatment facilities and their associated distribution and collection systems. OCWA operates more municipal water and wastewater facilities in Ontario than any other operating authority. The Agency has contracts to operate over 500 facilities ranging in size from small wells and lagoons to large-scale urban water and wastewater systems.



Delivering Efficient and Effective Service

OCWA is committed to providing efficient, cost effective and value added service. Through a hub/satellite service delivery structure, clients benefit from the sharing of management, administration, operational systems and specialist support services that many of OCWA's clients might otherwise be challenged to afford. OCWA is also dedicated to assessing and implementing innovative technologies, processes and solutions to improve operational efficiencies and reliability.

Providing Complete Water Service Solutions

In addition to OM&M services, OCWA provides a wide range of professional project management, advisory and training services. These include:

- Technical services including Supervisory Control and Data Acquisition (SCADA) development and wide-area communication, asset management, instrumentation, distribution and collection system maintenance, and portable treatment options
- Engineering services including major maintenance and minor capital works, regulatory advisory services, process modelling and optimization, biosolids expertise, facility assessments, and infrastructure financing
- Emergency response including equipment, expertise and resources
- Operational training
- Water and energy conservation strategies

OCWA's operations team is supported by industry experts in the areas of operational compliance, training, procurement, legal services, communications, information technology, finance, human resources and systems integration.

Bringing Value to the People of Ontario

Since its inception, OCWA has made public health and safety a key objective and has been a vital resource to the Province of Ontario. OCWA helps ensure that all Ontarians have access to a provider of safe and reliable water and wastewater services. This choice is particularly critical for small, rural, and remote communities.

OCWA also provides emergency response services in the event of a provincial water or wastewater emergency. Specially equipped and trained OCWA Emergency Response Teams (OERT) are able to respond immediately when needed.

Joint Message from the Chair and President & CEO

Michael R. Garrett
Chair of the Board of Directors

Jane Pagel
President & CEO

On behalf of OCWA's Board of Directors and the Executive Management Team, we are happy to present to you our 2010 Annual Report. Over the past year, OCWA has had many significant accomplishments and has been able to achieve the majority of our set goals.

In 2010, OCWA set aggressive targets for the retention of existing clients and new business growth. OCWA was able to maintain the majority of our clients, including signing a new 5-year-contract with the Region of Waterloo, worth over $36M. This was achieved despite slower than expected economic recovery, and subsequent difficulties our clients faced in making water and wastewater infrastructure investments.

OCWA continues to be a leader in water and wastewater services by assisting clients in meeting existing and new regulatory requirements, and by focusing on improving operational performance and efficiency. Since the implementation of new licensing requirements under the Safe Drinking Water Act, 2002, OCWA has helped clients achieve accreditation – 69 facilities received operating authority accreditation, with 158 plans submitted in 2010. We are also pleased to report that in 2010, 96% of OCWA operated water facilities received inspection ratings from the Ministry of the Environment (MOE) above 90%, of which 62% achieved 100%.

The safety of our employees is a key priority for OCWA and we are fully committed to our goal of zero lost-time incidents. Highlighting our focus on workplace safety, 2010 marked the implementation of two significant new policies, Working Alone and Violence and Harassment in the Workplace, as well as hosting the annual Health and Safety Conference for employees across the Province. In this past year, 98 % of OCWA-operated facilities achieved our goal of zero Lost Time Incidents (LTIs). An emphasis was placed on education, mandating all employees to complete 12 hours of health and safety training. We will continue to work hard on improving our safety culture and on achieving zero LTIs throughout 2011.

Once again this year, OCWA's Emergency Response Teams were ready and available to provide assistance to the Province of Ontario. Our highly skilled and trained team effectively responded to emergency events in Chapleau after a forest fire caused loss of water, and in Hearst/Constance Lake after blue-green algae prevented potable water for the people of Constance Lake First Nations, ensuring clean water was available in both communities.

OCWA has always pursued new and innovative technologies that add value for our clients and improve our services. Our efforts were further augmented with the introduction of the Water Opportunities Act, 2010. Throughout 2010, OCWA took on many initiatives to support the vision of making Ontario a North American leader in the development of water conservation and treatment technologies. OCWA implemented optimized aeration systems in our clients' wastewater facilities that have already led to energy cost savings and emission reduction. OCWA has collaborated with other organizations such as Enbala Power Systems to link smart grid technology with water and wastewater systems and with the Walkerton Clean Water Centre and the University of Guelph to advance water innovations.

As we move into 2011, the Agency will continue to build on the momentum we have already achieved in 2010 to explore new opportunities and to pilot innovative new technologies, improve efficiency and effectiveness of OCWA's operations, and improve client satisfaction.

As with many organizations, OCWA faced and overcame many financial and technical challenges throughout 2010. It is due to the efforts of our highly skilled management and staff that we were able to deliver on the responsibilities highlighted in this annual report. Therefore, on behalf of the Board and the Executive Management Team, we would like especially to thank our employees for their dedication, hard work and ongoing commitment to OCWA.

Corporate Governance

OCWA is an Operational Enterprise Agency of the Province of Ontario established under the Capital Investment Plan Act, 1993 and is accountable to the Legislature through the Minister of the Environment. The Act sets out OCWA's objects, powers and duties as well as other governing parameters. A Memorandum of Understanding (MOU) with the MOE further clarifies these roles and duties. OCWA conducts its business in accordance with various applicable Management Board of Cabinet (MBC) directives as set out in the MOU.

OCWA is committed to its values and strives to continuously improve upon procedures and practices to direct and manage the Agency. The Agency ensures it operates with ethical business conduct and in a manner that is fair, transparent and provides best value to its clients, the Province of Ontario and the people of Ontario.

Board of Directors

OCWA's Board of Directors is responsible for overall corporate governance and approves strategic directions and budgets for the Agency. The Board also ensures that appropriate compliance and risk management processes are in place and operate effectively. Members of OCWA's Board of Directors are appointed by the Lieutenant-Governor-in-Council. At present, OCWA's Board is made up of 10 qualified independent members from the private and public sectors. Together, the Board has collective expertise in managing private sector and municipal corporations, including utilities, financial reporting, overseeing various levels of government, and advising on regulatory matters related to the environment and drinking water. The Directors are appointed for terms of up to three years and are eligible for re-appointment.

The Board follows best practices in corporate governance including:

- Completing comprehensive director orientation
- Ongoing director education and development
- Holding regular meetings
- Conducting strategic planning sessions with and without senior management
- Setting and adhering to a Board Code of Conduct, including, Conflict of Interest procedures

An Audit and Risk Management Committee also meets at least quarterly and assists the Board in fulfilling its governance and oversight responsibilities with respect to:

- Accounting and financial reporting processes
- Internal financial control structure
- Internal and external audit functions
- Enterprise risk management program

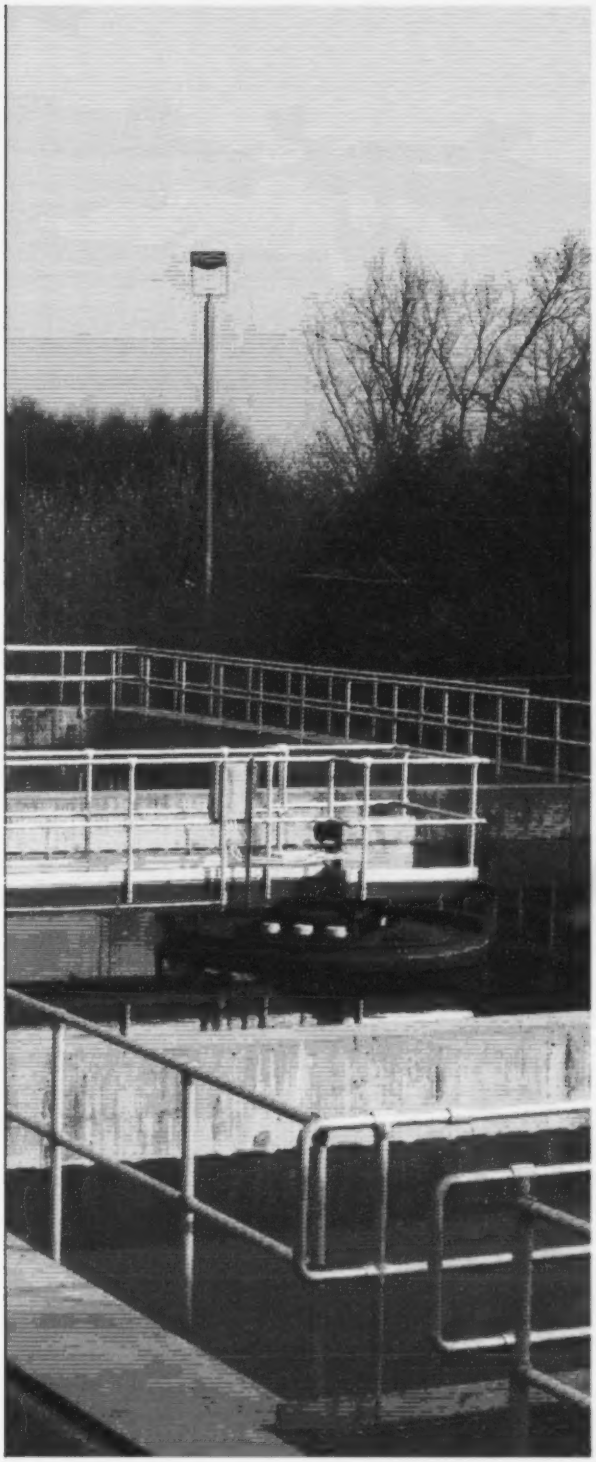
Business Planning and Performance Measurement

OCWA's Board, in consultation with senior management, sets the Agency's strategic direction, and reviews and approves OCWA's strategic plans, financial reports, and significant business decisions. The Board approves the Agency's Business Plan and related performance targets annually and monitors the achievement of both the Business Plan targets and key performance indicators throughout the year. Employee performance plans and appraisals are linked to business plan performance targets.

Accountability

OCWA demonstrates accountability to the government and citizens of Ontario in a number of ways, including:

- Meeting requirements for OCWA-operated facilities as per the appropriate regulatory authorities (Ministry of the Environment, Medical Officer of Health and Ministry of Labour);
- Ensuring facility reports for OCWA-operated municipal water treatment facilities are available to the public through OCWA's municipal clients;
- Generating an Annual Report, approved by the Minister of the Environment, tabled in the Provincial Legislature and made available to all Ontarians, either in print or online at www.ocwa.com;
- Producing an annual Business Plan, including performance measures, submitted for approval annually to the Minister of the Environment;
- Supporting annual audits of OCWA's financial statements by the Office of the Auditor General and periodic Value for Money Audits;
- Providing accessibility to Agency records under the Freedom of Information and Protection of Privacy Act;
- Complying with the Ontario Public Service directives including the Agency Establishment & Accountability Directive and the Public Sector Expense Review Act, 2009 that requires public disclosure of expenses and the Procurement directive; and
- Utilizing an Enterprise Risk Management (ERM) program to identify and assess business and operational risks.



Board of Directors, as of December 31, 2010

Michael R. Garrett, Chair

Art Leitch, Vice Chair

Juli Abouchar

John Bergsma

Susan Fletcher

Michael R. Garrett, Chair

Term: June 2008 to June 2011

Michael R. Garrett has extensive experience as a senior executive in the public sector. Mr. Garrett has served in a variety of capacities including: Chief Administrative Officer for the Regional Municipality of York, City Manager for the City of Toronto, Chief Administrative Officer for the Regional Municipality of Peel, Assistant Deputy Minister of the provincial Ministry of Natural Resources, Program Director for the South Nation Basin, and Director of Water Resources with the Metropolitan Toronto and Region Conservation Authority.

Art Leitch, Vice Chair

Term: July 2007 to July 2011

Art Leitch is former President and CEO of Hamilton Utilities Corporation. Prior to that Mr. Leitch served as General Manager of Public Works for the City of Hamilton, Commissioner with Hamilton Hydro Commission, General Manager of Sarnia Hydro, Senior Vice-President of United Utilities International PLC, and Commissioner of Planning and Public Works for the Region of Halton. Mr. Leitch serves his community as: Chair for the Board of Directors of the Canadian Automobile Association, and Chairman of the Advisory Board of the Link-Line Group of Companies. Mr. Leitch earned his Master of Environmental Engineering degree from the University of Toronto, and his Master of Business Administration degree from York University.

Juli Abouchar

Term: August 2007 to July 2011

Juli Abouchar is Partner and Environmental Specialist with Willms & Shier Environmental Lawyers L.L.P. Ms. Abouchar was Assistant Commission Counsel at the Walkerton Inquiry, served on the multi-stakeholder Source Water Protection Implementation Committee and was legal advisor to the Expert Panel on Regulating Safe Drinking Water on First Nations. She practices administrative law before environment and energy tribunals and has published numerous articles. Ms. Abouchar holds a Master of Laws from the University of London, U.K. and a Bachelor of Laws and a Bachelor of Civil Law from McGill University.

John Bergsma

Term: August 2007 to July 2011

John Bergsma is a former Commissioner of Corporate Services for the Regional Municipality of Niagara. As well, Mr. Bergsma sits on the Boards of St. Catharines Hydro Inc., Horizon Utilities Inc. and Pioneering Technologies Inc. In the past, he was President and Chief Executive Officer of Union Gas Limited and President of Lennox Canada Inc., Massey Ferguson Research Ltd., and Columbus McKinnon Limited. He served on the University of Waterloo Board of Governors for more than 20 years and the Boards of the Stratford Festival of Canada, the Ontario Great Lakes Renewal Foundation, the Canadian Urban Institute and various United Ways across Ontario. Mr. Bergsma holds a Master of Applied Science in Water Resource Planning.

Susan Fletcher

Term: November 2009 to November 2012

Susan Fletcher, an accountant and consultant, has provided consulting services in a variety of businesses over the past 20 years, including financial services, health care, non-profit organizations and municipal government. Most recently, Ms. Fletcher has led or consulted on projects to identify and value municipal assets and infrastructure to meet capital asset requirements under the new Public Sector Accounting Board (PSAB). Ms. Fletcher has previously held senior financial management positions in the automotive and research & development sectors, including with Gabriel of Canada and ORTECH International (Ontario Research Foundation), and has also worked in the aerospace sector with de Havilland Aircraft. She currently sits on the Board and is Treasurer of Theatre Orangeville and is a Certified Management Accountant (CMA) and holds a Bachelor of Commerce degree from Queens University.

Charles Fox

Allan Gunn

Doug Lawson

Elizabeth A. McLaren

Gino Nicolini

Charles Fox

Term: August 2007 to January 2011

Charles Fox is an Ojibway-Cree Anishnawbe from the Bearskin Lake First Nation in northern Ontario. He has spent the last 29 years of his life working and advocating for First Nations people. Over the past two years, Mr. Fox has been retained by the Ministry of Health Promotion as a consultant on aboriginal matters dealing with public health. He is currently developing and delivering Aboriginal specific programs in conjunction with the Ontario Power Authority, Conservation Bureau.

Allan Gunn

Term: July 2007 to January 2012

Allan Gunn is the Assistant Deputy Minister of Corporate Services at the Ontario Ministry of Community Safety and Correctional Services. He is responsible for the corporate leadership of strategic and business planning, controllership and human resource management for an organization of over 16,000 staff with an annual budget of $1.8B. Mr. Gunn has been an executive in the Ontario Public Service for over 20 years including 5 years as Assistant Deputy Minister with the Ontario Ministry of Environment. He is an alumnus of Carleton University, Queen's University, and the Richard Ivey School of Business.

Doug Lawson

Term: November 2009 to November 2012

Doug Lawson has over 28 years of senior business and financial management experience across a diverse range of industries and size of businesses. During his career, Mr. Lawson has also worked as a consultant to a number of start-up companies. He is currently the Senior Vice-President and Chief Financial Officer of North American Fur Auctions. Mr. Lawson received his Bachelor of Business Administration degree from Wilfrid Laurier University and is a Chartered Accountant with a further Corporate Finance designation granted by the Canadian Institute of Chartered Accountants. He has also earned the ICD.D certification granted by The Institute of Corporate Directors.

Elizabeth A. McLaren

Term: November 2010 to November 2013

After a career in the Ontario Public Service that spanned nearly four decades, Elizabeth McLaren retired in 2008. Over the years she held several different senior-level positions including Assistant Deputy Minister for the Office of the Greater Toronto Area. Immediately preceding her retirement, Ms. McLaren was the Assistant Deputy Minister of the Municipal Services Division in the Ministry of Municipal Affairs and Housing. Since her retirement, she has been a Senior Associate with Hill & Knowlton Canada and GCI Group.

Gino Nicolini

Term: August 2008 to August 2013

Gino Nicolini is semi-retired from a career in engineering. Mr. Nicolini has served as: President of Nicolini Construction and Engineering Ltd., President of Val Nicol Construction Ltd., and Project Engineer of Kilmer Van Nostrand Construction and Engineering Ltd. Mr. Nicolini serves as member of the Landfill and Waste Disposal Regulatory Policy Group of the Public Advisory Committee for the City of Ottawa. His previous contributions include serving as President of the Ottawa-Gloucester Rotary Club and member of the Committee of Adjustment for the City of Ottawa. Mr. Nicolini is a member of the Professional Engineers of Ontario.

Officers of the Agency

Jane Pagel

President and Chief Executive Officer
(November 2010 to Present)

Jane Pagel was appointed President and CEO of the Ontario Clean Water Agency on November 1, 2010. Ms. Pagel currently serves on the board of Sustainable Development Technology Canada, chairing the board's Project Review Committee, and was a longstanding member of the Prime Minister's Advisory Council on Science and Technology. She is also a member of the Ontario Chamber of Commerce Board of Directors. Prior to joining OCWA, Ms. Pagel held a number of senior positions in both Government and the private sector, including Jacques Whitford Limited, Zenon Environmental Laboratories and Ontario Hydro, as well as a number of scientist, management and executive positions within the Ministry of the Environment.

Robin Kind

President and Chief Executive Officer
(September 2009 to November 2010)

Robin Kind has been a member of the Agency's legal group since November 1994. Prior to joining OCWA, Ms. Kind spent several years in private practice in Toronto in the areas of corporate, commercial and environmental law. Ms. Kind held the position of Assistant General Counsel at OCWA from July 2000 until she was appointed General Counsel in May, 2003. Ms. Kind served as acting President and Chief Executive Officer from September 2009 to November 2010 and thereafter resumed her role as General Counsel.

Dan Atkinson

Vice President, Operations – Southern Ontario
(January 2010 to November 2010)

Acting Vice President, Finance and Corporate Services
(December 2010 to Present)

Dan Atkinson assumed his current role in Operations in March 2000. He has been with the Ontario Public Service for over 25 years and joined OCWA at its inception in 1993. One of the Agency's original officers, Dan has served as Corporate Controller and Area Vice President of Operations. Mr. Atkinson is a Certified General Accountant and a Certified Management Accountant and holds a Bachelor of Commerce degree and a Masters of Business Administration.

Brenda Baker

Vice President, Finance and Corporate Services
(January 2010 to November 2010)

Brenda Baker joined OCWA in November 2002. She has over 25 years of financial experience in government including positions with the Ministry of Community Safety and Correctional Services, Ministry of Agriculture and Food and the Auditor General's Office. Ms. Baker is a Chartered Accountant and holds a Bachelor of Commerce degree and a Masters of Business Administration.

Ilmari Komulainen

Acting Vice-President, Operations - Southern Ontario
(December 2010 to Present)

Ilmari Komulainen joined OCWA in 2003 as Regional Operations Manager, Eastern Region, responsible for overseeing all operations and maintenance facilities and ensuring compliance with regulatory requirements. Mr. Komulainen has 26 years of experience in the water and wastewater industry, as well as many years experience in municipal public works. He is a Professional Engineer and graduate of Queen's University.

Nick Reid

Vice President, Business Development

Nick Reid joined OCWA in February 1995 with 15 years experience in environmental consulting and technical sales. He was instrumental in establishing a client services culture within OCWA and has held progressively responsible positions in Business Development and Operations. Mr. Reid has also served four years as General Manager of the South Peel facilities and two years as Chief Information Officer prior to assuming his current role with Business Development in February 2007. He has been an officer of the company since 2000.

George Terry

Vice President, Operations – Northern Ontario, First Nations and Integrated Systems

George Terry joined OCWA at its inception in 1993. Throughout his OCWA career, he has held successively more senior positions including Operations Manager, Operations Management Specialist, Vice President of Information Technology and Technical Services, Director of Operational Research and Development and Director of Marketing & Sales. He is an active member of the Canadian Water and Wastewater Association and the Ontario Water and Wastewater Works Association.

Sandra Witlarge

Controller, Finance

Sandra Witlarge joined OCWA in September 2000 as Manager of Budgets and subsequently became Controller in May 2002. Prior to joining OCWA she held various financial positions with a large manufacturing company. Ms. Witlarge is a Certified Management Accountant and a Certified Fraud Examiner and she holds a Bachelor of Administrative studies degree.

Activities and Accomplishments, 2010

The Year at a Glance

- 176 Clients served
- 505 Facilities operated
- 308,746,104m³ Water treated
- 98,080,287m³ Effluent treated
- 700 Employees
- 47,036 Visitors to our website
- $126.6M operating expenditures
- 54,472 hours of internal training delivered

Improving Client Service

Meeting Client Needs

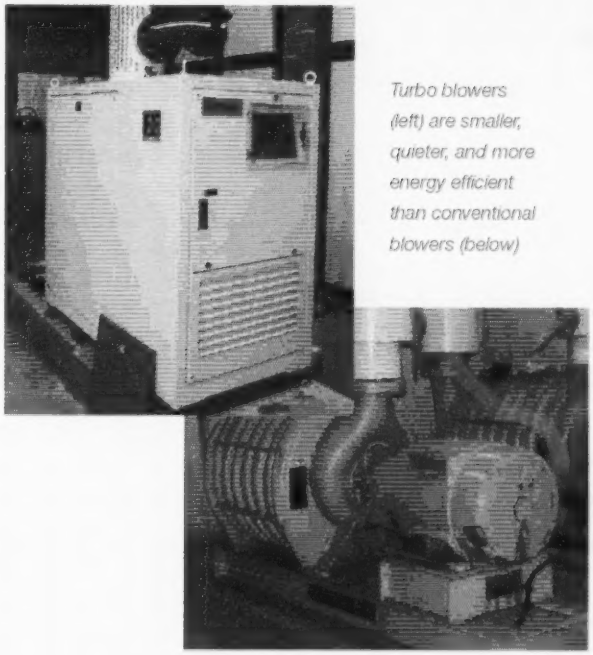
OCWA strives to provide excellent client service and to regularly connect with customers to understand what they require from us as their service provider through annual client satisfaction surveys and Client Advisory Council meetings. The results of the 2010 client survey indicated that 89% of clients were very satisfied in OCWAs overall performance in the provision of water services and 83% for wastewater treatment services. Advisory council meetings were held in 2010 to gather input on the Agency's service offerings and to seek advice on areas for improvement. Members are seeing significant improvement where issues were identified and OCWA is addressing concerns raised on an ongoing basis. In addition, OCWA was able to retain 96% of clients up for renewal in 2010 indicating the high level of satisfaction with our services being provided.

Water Innovation

OCWA constantly pursues innovative technologies and processes that would benefit our clients and ensure more efficient and cost effective operations of the facilities which we operate. With the introduction of the Water Opportunities Act this past year, OCWA is well positioned to assist the Province with advancing new technology and spurring the adoption of innovative products and processes.

OCWA has a history of collaborations with industry to test new technologies that would bring benefits to the water industry. For example, OCWA entered into an agreement to trial automated bacteriological testing equipment that can be used in water and wastewater treatment facilities at the Carleton Place Water Treatment Plant. This equipment provided rapid and simple on-site microbiological testing and has since progressed to be a marketed water sensory product.

Most recently we have focused our attention on the optimization of aeration systems in our clients' wastewater facilities. This on-going project involves the replacement of conventional blowers with state of the art turbo blowers, and their conventional aeration systems with fine bubble membrane systems. Through this initiative, we have been able to demonstrate energy savings of up to 40%, while at the same time lowering emissions, improving working conditions, and reducing maintenance costs.



Turbo blowers (left) are smaller, quieter, and more energy efficient than conventional blowers (below)

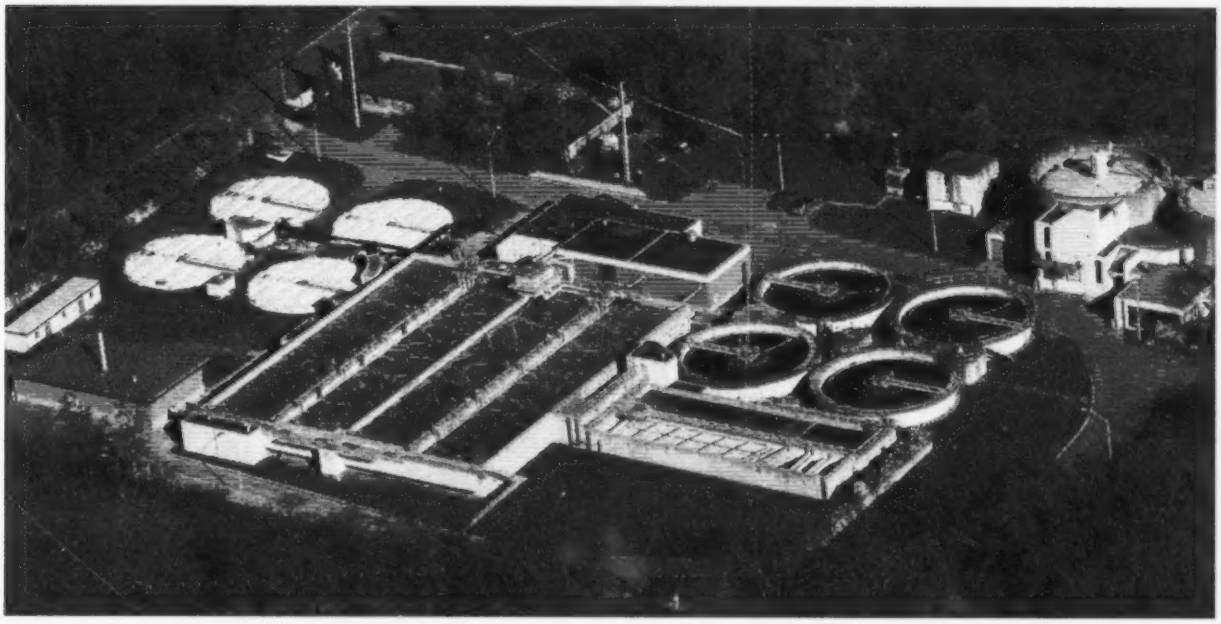
OCWA also continues to support a pilot project with the Region of Waterloo to test Biorem's new odour-control platform at the Preston wastewater facility. Background plant odour and odour complaints have been significantly reduced since the implementation of this platform, which has proven to treat odour at less cost than many other operating systems currently in use.

OCWA is excited to report that it is collaborating with the Walkerton Clean Water Centre and the University of Guelph to advance water innovations and provide a robust validation process. This process would enable technologies to advance from bench top to pilot to operational scale-up. The first project with this alliance has begun in early 2011 with the piloting of Spartan bioscience's rapid response pathogen detection system for use in drinking water testing.

In April 2010, OCWA and Enbala Power (formerly Sempa Power) began collaborating on connecting Canadian smart grid technology to water and wastewater systems. This alliance will look at creating new opportunities involving water and electricity and involves a pilot project designed to demonstrate the capacity for water systems to provide demand based ancillary services, such as system regulation, to Ontario's Independent Electricity System Operator (IESO).

OCWA staff in South Peel have been heavily involved in the expansion of the Lakeview Water Treatment Plant (WTP) and G.E. Booth Wastewater Treatment Facility (WWTF) facilities. The Lakeview WTP is a $350M expansion that is ranked number 52 in Canada's Biggest Infrastructure Projects. The expansions will see an increase from 820 megalitres to 1,150 per day. The Lakeview Water Treatment Plant combines oxidation-biological processes with ultra-filtration resulting in high water quality, consistent performance, a small plant footprint and favourable lifecycle costs.

The Preston wastewater facility is piloting Biorem's new odour-control platform.



Achieving Business Growth

In 2010, OCWA successfully renewed 67 OM&M contracts worth a combined $24M in annual revenues. Most notable was the Agency's renewal of its contract with the Region of Waterloo. The 5-year contract, valued at $36 million, involves the OM&M of 13 wastewater treatment plants and 5 sewage pumping stations.

OCWA achieved $5.4M in new business including new O&M contracts which comprised $1.7M of the new revenue generated. OCWA's Engineering Services Team achieved $1.8M in sales, the bulk of which related to the provision of project management expertise for major expansion or construction of new water and wastewater infrastructure. OCWA also provided for $1.3M in Asset Management and Operational Support Systems (AMOSS) services including the completion of distribution system pilot projects for new clients and working to optimize and enhance a number of water and wastewater processes.

OCWA's Training Department delivered $0.61M worth of service to water and wastewater operators in Ontario. The bulk of training work was delivered in collaboration with the Walkerton Clean Water Centre for director approved courses.

This past year OCWA was unable to achieve its targets for business growth and renewing existing contracts; therefore it has undertaken some changes to the Agency's sales and service structure to ensure the Agency's activities in these areas meet the needs of both existing and prospective clients. These changes include a designated sales team that will focus on new clients and opportunities.

Operational Highlights - Efficient and Compliant Operations

Meeting Accreditation Requirements under the *Safe Drinking Water Act, 2002*

The Agency continues to support its clients with meeting the requirements of the MOE's Municipal Drinking Water Licensing Program. In 2010, Operational Plans for 158 OCWA-operated facilities were submitted to Canadian General Standards Board (CGSB) and approximately 94% of all OCWA facilities have undergone at least one audit by them. These audits focus on the conformance of OCWA's QEMS as documented in the Operational Plans. Letters confirming OCWA's accreditation as the Operating Authority have been received for 69 facilities, including OCWA's first Full Scope Accreditation for the Lambton Area Water Supply System.

Inspections

OCWA is in the business of water – the world's most valuable resource. Because of this, water and wastewater treatment is a highly regulated industry. The MOE water and wastewater divisions, as well as the Ministry of Health and Long-Term Care, Health Protection and Promotion division, conduct inspections to assess how well a system is complying with provincial regulations. OCWA tracks Provincial Officer Orders issued by the MOE as one indicator of operational performance. The MOE conducted 236 inspections in 2010 on OCWA-operated facilities wherein 4 Provincial Officer's Orders were issued. In 2010, 96.4% of inspections resulted in a rating of over 90% (62% of those facilities had a rating of 100%).

Operational Performance

Although OCWA is a service provider and does not own the facilities we operate, we do monitor key industry performance indicators to help assess our operational performance as well as identify potential areas for improvement, including infrastructure improvements to our clients. OCWA tracks reportable incidents such as adverse water quality incidents, boil water advisories and bypasses at wastewater facilities. These are discussed in more detail below.

Adverse Water Quality Incidents

Adverse Water Quality Incidents (AWQIs) occur when drinking water quality tests, taken at various stages in the treatment process, do not meet the Provincial standards. The MOE defines standards for four types of drinking water parameters – Microbiological, Chemical, Radiological and Physical. In 2010, OCWA operated facilities had fewer AWQIs than in 2009. AWQIs occurred primarily in the northern and eastern regions where the Agency operates more facilities and smaller groundwater systems. In 2010, the shutdown of an old facility and start up of a new facility resulted in the removal of radiological AWQIs where source water was a contributing factor. The number of microbiological AWQIs increased over the prior year which is believed to be due primarily to warmer weather conditions. There was also a reduction in the number of physical and chemical quality tests with a reduction of 38% and 7%, respectively. The table on the right outlines the AWQIs for OCWA-operated facilities for 2010.

2010 AWQIs at OCWA - operated facilities by Region

OCWA Region	Eastern	Northern	South Peel	Waterloo	Western	Total	2009 Totals
No. of Water Facilities	118	183	2	15	20	318	304
AWQI Category							
Microbiological	43	26	0	6	3	78	57
Chemical	31	47	2	1	3	84	90
Physical	19	23	0	0	0	42	68
Radiological	0	0	0	0	0	0	1
Total	93	96	2	7	6	204	216

Boil Water Advisories

On occasion, a boil water advisory (BWA) may be issued, at the discretion of the Medical Officer of Health (MOH), in response to an adverse test result or an issue with a drinking water system. A BWA is issued when boiling the water will remove the contaminant to ensure the water is safe for drinking. In 2010, all BWAs were issued as a preventative measure and none presented a health risk. Outlined in the table on the right is a summary of the BWAs at OCWA-operated facilities in 2010.

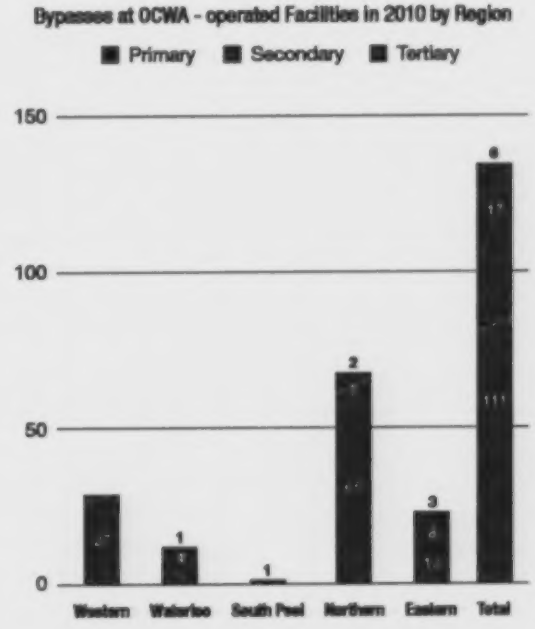
2009 BWAs issued by MOHs for an OCWA - operated Water System

OCWA Region	Eastern	Northern	South Peel	Waterloo	Western	Total	2009 Totals
No. of Water Facilities	118	183	2	15	20	318	304
Inadequate disinfection or disinfection residual in the treated water	–	4	–	–	–	4	5
Unacceptable microbiological quality in the treated water	4	2	–	–	–	6	0
Epidemiological evidence that suggests drinking water is responsible for an outbreak	–	–	–	–	–	0	0
Other (loss of pressure)	8	12	–	1	1	21	18
Total	8	15	0	1	1	31	23

Bypasses at OCWA-operated Facilities

A bypass event is the diversion of wastewater from the collection and treatment process. Facilities are designed to bypass to facilitate the management of hydraulic flows beyond the facility's capacity and therefore Certificates of Approval (CofA) for systems specifically include bypass requirements. Periods of major rainfall or rapid snow melts and planned/corrective maintenance activities result in wastewater bypassing the plant's biological processes to avoid damage to the facility or to private property (i.e. basement flooding).

The graph on the right depicts the number of bypass events that occurred at OCWA-operated facilities in 2010. All bypassing events for 2010 have met reporting and sampling requirements. It is important to note that 85% of bypass flows were the result of hydraulic loading due to rapid snowmelt or heavy rain.



Occupational Health & Safety (OHS)

The Agency is committed to providing a safe and healthy workplace for all employees and to the prevention of occupational injury or illness. Through a comprehensive Occupational Health and Safety System (OHSS), the Agency continues to promote and support a proactive culture of health and safety. In 2010, a number of initiatives were carried out to help us meet our goal of zero lost time incidents. OCWA maintained its focus on occupational health and safety by hosting its annual health and safety representative conference and OCWA's annual Safety Week which was aligned with the National Safety Day. In addition, a new Working Alone Policy as well as Violence and Harassment in the Workplace policies were implemented and training was delivered. A great emphasis was placed on OHS training wherein an average of 13 hours per employee was delivered. To help facilitate this an OHSS Overview Course was offered in every region in addition to other health and safety courses such as First Aid, Lockout/ Tagout, Confined Spaces and Contractor Safety, just to name a few. Although the Agency had 6 new LTIs this past year and did achieve its target of zero LTIs in 499 (98%) of its facilities in 2010, lost time days were reduced over the prior year by 49%. The Agency promotes a culture of Health and Safety by recognizing employees or groups of employees that exemplify safety through the OCWAmarine Awards program in the category of Safety.

In the coming year, OCWA will continue to maintain its comprehensive OHSS and to enhance its OHSS programs and processes on an ongoing basis.

OCWA's executive management team, along with members of the joint health and safety committee, takes part in a fun personal protective equipment challenge during OCWA's annual safety week.

Efficient and Effective Service Delivery

In order to improve business processes within OCWA, a Simplification Team was created in 2009 which utilizes "lean" six-sigma concepts and consists of members from across functional areas. The focus of the team is on cutting bureaucracy, reducing duplication and solving problems quickly. In the past year the Simplification Team made recommendations to the Executive Management Team and has implemented changes in the areas of sales and service structure, financial processes and operational tools, IT tools and recruitment.

Enhancing OCWA's Industry Profile

OCWA ensures that it participates in industry associations, and initiatives and events relating to clean water. OCWA is actively involved in water industry associations such as the Canadian Water and Wastewater Association (CWWA), Ontario Water and Wastewater Association (OWWA) and Water Environment Association of Ontario (WEAO). In addition, the Agency continues to coordinate the work of the Ontario Water Works Research Consortium (OWWRC), which brings together municipalities which draw their drinking water from Lake Ontario, with federal government, provincial government and university researchers. The mission of the consortium is to link member utilities to government and university researchers and through those links facilitate the completion of research that is of value to member communities and ensures the long-term protection of Lake Ontario-based drinking water supplies.

In 2010, OCWA participated in 34 industry and water educational events to help enhance public awareness of OCWA's activities and promote opportunities for the public to learn about protection and conservation of Ontario's water resources.

Enterprise Risk Management (ERM)

OCWA has a comprehensive Enterprise Risk Management Program (ERMP) that is designed to support the effective management of a full range of risks across the Agency. A systematic process of identifying, assessing, mitigating, monitoring and reporting on all Agency risks was undertaken for 2010. Risks identified were catalogued in a risk register utilizing the American Water Works Association (AWWA) risk categories which are: strategic, operational, market/business, and legal/regulatory. The Agency reviewed risk management strategies and controls to effectively mitigate/eliminate threats that were identified as high risk.

The formal structure and risk management program established at OCWA is aligned with the risk management requirements set forth in the updated OPS Agency Establishment & Accountability Directive.

Empowering Employees to Succeed

As mentioned previously, OCWA operates a highly regulated business that requires a knowledgeable and, in the case of operations, licensed workforce. OCWA invests in training and development for its staff to ensure that certification levels are current and employees are qualified to deliver a range of services to its clients. The table below demonstrates the certification levels of OCWA's employees. Throughout this past year and moving forward, the Agency continues to focus on attracting, developing and retaining the right people in the right roles.

OCWA Staff Certification Levels

Level	Water Treatment	Water Distribution	Water Distribution & Supply	Wastewater Collection	Wastewater Treatment	Water Quality Analysis
Operator in Training	40	7	35	58	62	–
Level 1	87	114	150	139	97	–
Level 2	90	89	63	114	97	–
Level 3	66	40	35	19	72	–
Level 4	40	11	9	5	40	98
N/A	–	–	–	–	–	–
Total	323	261	292	329	368	98

Engaging Employees

In 2010, the Agency continued to implement its action plan in response to the results of the 2009 OPS employee engagement survey regarding OCWA employees. The areas for improvement identified by OCWA employees were: opportunities for growth, organizational communication, recognition, and leadership practices. In addressing these areas, the Agency has revitalized the succession management program and continues to maintain a mandatory Personal Performance Review (PPR) process for employee growth. OCWA has launched video-conferencing across the Agency and has committed to increased communications and has also enhanced existing service recognition programs and award programs to promote employee recognition. Finally, OCWA has provided managers with additional tools and training to help cultivate effective leadership.

In addition, OCWA continued to engage and develop employees by hosting two employee conferences. During these conferences employees were informed about OCWA's business priorities, helped develop new strategies to improve the organization and participated in teambuilding activities. These sessions also provided an opportunity for dialogue and networking with the Executive Management Team. Approximately 120 employees participated in the 2010 sessions.

The annual Employee Conferences were held in April and June 2010, with approximately 120 employees participating in networking and team-building events. Employees from across the Agency had the opportunity to work with Senior Management to share ideas and strategize on ways to improve and evolve the Agency.

Leadership Development

The Agency continues to develop our leaders of tomorrow through the comprehensive OPS talent management program as well as OCWA specific leadership training. In 2010, a leadership session was held with OCWA management from across the Agency focussed on improving organizational communication.

Diversity in our Workforce

Consistent with the OPS goal of building an inclusive work environment, OCWA continued to broaden its approach to diversity by participating in OPS diversity initiatives already underway and started to create and develop an OCWA-specific Diversity Plan. This plan will enhance diversity, respect, inclusiveness and fairness in our organization. We will continue to integrate diversity in our leadership commitments, policies, programs and services.

Delivering Value to the Province

Supporting the Water and Wastewater needs of First Nations Communities

Over the past two years, OCWA has participated in the federally-funded Safe Water Operations Program (SWOP) to provide mentoring, training and assistance to First Nations operators in the operation and maintenance of their water treatment systems. The ultimate goal of this program is to build knowledge and operational capacity with respect to water treatment and infrastructure maintenance within the First Nations communities. OCWA has provided "overall responsible operator" (ORO) services to 26 First Nations communities under SWOP. In addition, OCWA has provided operational training courses for First Nations operators directly through SWOP and the Province's mandatory drinking water certification courses.

Prepared to Respond to Provincial Water and Wastewater Emergencies

Through a contract with the Ministry of the Environment, OCWA is always ready to provide emergency response services in the event of a drinking water or wastewater emergency in the Province of Ontario. To ensure preparedness, specially equipped OCWA Emergency Response Teams (OERT) receive extensive training and participate in rigorous testing of full-scale mock up emergency scenarios. In 2010, OERT effectively responded to two Provincial emergencies – in Chapleau after a forest fire caused loss of water, and in Hearst/Constance Lake after blue-green algae prevented potable water for the people of Constance Lake First Nations – ensuring clean water was available in both communities. OERT also completed exercises including setting up an alternate water supply at the 2010 International Plowing Match, simulation of a takeover of a newly constructed water system at Pelee Island and emergency assessments at Marathon and Ear Falls.

OCWA's Commitment to Social Responsibility

The very nature of OCWA's business is protection of public health and the environment. In addition to operating water and wastewater treatment facilities for our clients, our employees also give back to their communities in many other ways. OCWA is committed to ethical behaviour, conducting business responsibly and to being a good corporate citizen. In 2010, the Agency looked at optimization of its fleet, energy efficiency initiatives, and enhancing public awareness of the need to protect and conserve Ontario's water resources.

Green Fleet Strategy

OCWA has developed a strategy to minimize or reduce the environmental impact of its fleet. The Green Fleet strategy has three areas of focus: smart consumption, optimizing technology and right sizing the fleet. Over the past year, OCWA has reduced the number of active vehicle in its fleet by 26, increased overall fleet miles per gallon by 6% and achieved a 16% reduction in CO_2 gas emissions. In the years ahead, the Agency has an action plan that is expected to result in a 10% reduction in green house gases.

Supporting the Communities in Which We Live, Work and Play

OCWA employees have a long history of supporting the communities in which they live and work. Employees take time from their busy days to conduct facility tours for community groups and schools to educate them about treatment processes and the impacts user actions have on their systems. We are active participants in community events, including drinking water festivals, plowing matches and charity fundraising activities to raise awareness of water related issues and conservation.

Malden Public School Tour

Grade 8 students from Malden Public School toured the Amherstburg Water Treatment Plant and the McLeod Sewage Treatment Plant. Students learned about water and wastewater treatment of drinking, on being good stewards of our fresh water supplies, and the importance of water conservation.

Essex Region Children's Water Festival

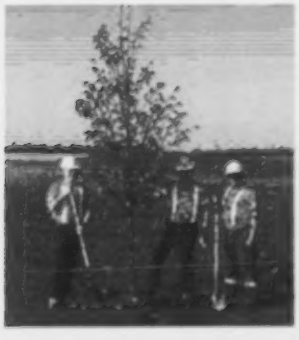
For the third year OCWA participated in the Essex Region Children's Water Festival held at the Heritage Transportation Museum in Essex County. This festival educates thousands of Grade 3, 4 and 5 students about the critical importance of clean water and its impact on their future.

Each year, OCWA employees raise funds to help to improve lives and build strong and healthy communities by supporting local, provincial and national charities. As an organization, OCWA coordinates fundraising activities in support of The United Way and the Federated Health Charities that fund 16 Ontario health charities. In 2010, OCWA was able to raise over $8,000 for the United Way and over $10,000 for Federated Health Charities.

OCWA Supports Global Water and Environmental Initiatives

OCWA is the Official World Water Monitoring Day (WWMD) Partner for Ontario. World Water Monitoring Day is an international program that builds public awareness and involvement in protecting water resources around the world. The program encourages citizens to conduct basic monitoring of their local water bodies and share the results through the WWMD website. In 2010, OCWA's goals were to increase awareness of the program amongst children and help raise Canada's participation rate in the program. OCWA has made testing kits available in communities in which we operate in the Province. In addition, the Agency has been visiting schools, festivals, organizations and other communities to promote the WWMD program.

OCWA is a proponent of water and energy conservation and, as such, we annually support Earth Day and Earth Hour. This past year, to promote Earth Day, OCWA worked with communities and schools, arranging tours and giving talks about water treatment and conservation. As an official participant in Earth Hour, OCWA encouraged employees to turn off non-essential lights and reduce non-essential power consumption, wherever possible, both in the workplace and at home.



In honour of Earth Day, employees at the Belle River-Maidstone PCP planted 25 trees – a mix of Embers Red Maple, Greenspire Linden and Northern Red Oak – at the entrance to the Biosolids Transfer Site.

Performance Measurement

OCWA uses a results-based planning approach to performance measurement to ensure OCWA's projects and processes are consistent with the Agency's strategic direction. Through quarterly reporting, OCWA's Executive Management Team and the Board of Directors monitor the implementation of the commitments set out in the Agency's business plan.

In addition to performance goals stated in the business plan, OCWA monitors other key performance indicators (KPIs) for both day-to-day operations and public mandate objectives. OCWA's Board established a specific "Board of Directors Dashboard" of KPIs that focusses on reliable service delivery, business retention and growth, financial performance, health and safety, and environmental compliance. The Agency will benchmark these measures against others in the water and wastewater treatment sector such as the Ontario Municipal CAO's Benchmarking initiative (OMBI), the American Water Works Association (AWWA) performance indicator report and the National Water and Wastewater Benchmarking Initiative.

Summary of Performance Measure for 2010

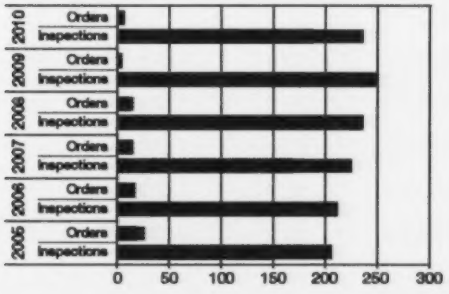
Commitment	Performance Measure		Result
Increased Focus on Performance Measurement			
Enhance Network Infrastructure	Consolidate and implement new server technology by Q4, 2010	✔	
Review Technological Business Solutions	Implement selected application to meet the Agency's future process data management requirements	✔	
Implement Operational Performance Measurement Tool	Key data available from Operational Performance Measurement Tool by Q4, 2010.	✔	
Commitment to Performance Improvement			
Performance Improvement: Operational Performance			
Improve Occupational Health & Safety performance	Increase the number of facilities that achieve zero lost time incidents	✔	98.6% of facilities have achieved zero LTIs
	Achieve 12 hours Occupational Health & Safety training hrs per employee	✔	
Improve Compliance Record for water and wastewater treatment facilities	Continuous improvement in the number of OCWA operated water facilities that achieve a rating of 100% per the Chief Drinking Water Inspector's report	✔	
	Continuous improvement in the number of OCWA operated wastewater facilities that meet CofA effluent criteria under normal operating conditions	✔	
Ensure contracts meet established financial targets	Actual expenses +/- 10% of budgeted expenses	✔	
Improve operational efficiency (process improvements)	At least one staff member from each hub receives process training in 2010	✔	Achieved this target by Q2 2010
Implement process improvement system for hub/cluster and process optimization reporting system	Complete six facility or process optimizations in 2010	✔	Seven process/facility optimizations have been completed.
Performance Improvement: Business Growth			
Implement 2010 territory plans for new business	Achieve regional and overall OCWA new business growth targets	✘	The Agency has established a designated sales team that will focus on new business and opportunities in the future.
Retain of contracts up for renewal in 2010	97% revenue retention	✘	Achieved 96% of revenue retention
	10% reduction in the number of clients in roll over phase.	✔	
Performance Improvement: Organizational Efficiency & Effectiveness			
Reduce discretionary spending	Achieve 5% reduction of discretionary spending compared to 2009 Actuals	✔	OCWA achieved a 19.1% reduction in discretionary spending compared to 2009
Continue simplification exercises of OCWA support services and implement improvements	Reduce the number of travel claims requiring rework in 2010 as compared to 2009.	✔	OCWA reduced re-works by 75% over 2009
Improve invoicing of project/miscellaneous billing	Improve year over year days receivable outstanding on capital invoicing	✔	
Improve leadership development	Complete Succession Management Planning	✘	Slight delay. All to be completed in early 2011.
	Improve annual manager survey results	✘	Re-profiled to assess learning and development needs of managers
Accountable to the People of Ontario			
Ensure OCWA Emergency Response Teams are prepared to respond to Provincial Emergencies	Emergency Response Teams respond within 12 hours to Provincial Emergency request	✔	
Participate in outreach events in support of its Corporate Social Responsibility goals	OCWA will participate in a minimum of 22 outreach events.	✔	

✔ Achieved ✘ Not Achieved

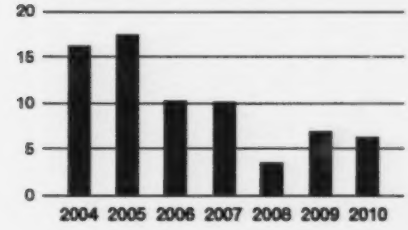
Performance by the Numbers

Compliance Performance

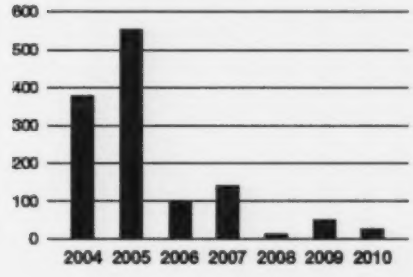
MOE Inspections and Provincial Officer Orders



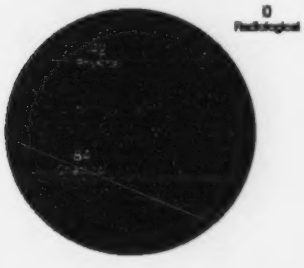
Occupational Health & Safety
Approved Lost -Time Incidents



Occupational Health & Safety
Total Lost -Time Days

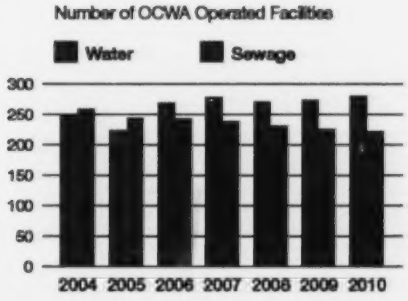


Types of Adverse Water Quality Events
at OCWA Operated Facilities, 2009

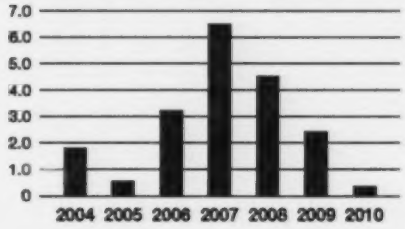


Business Performance

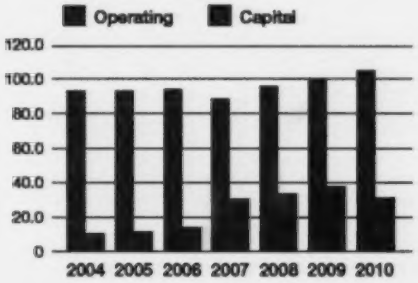
Number of OCWA Operated Facilities



Total Net Income *(in millions of dollars)*



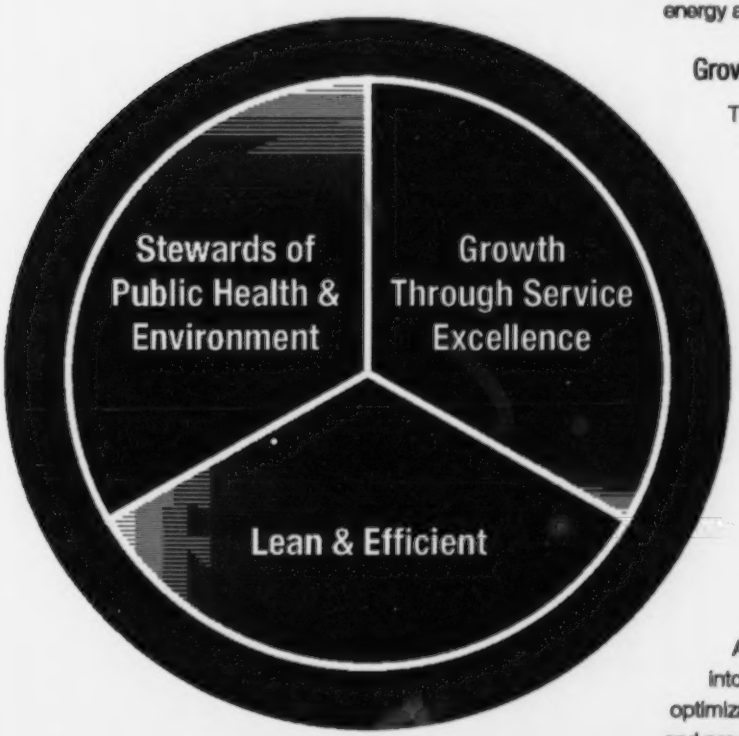
Gross Revenue from Operations
(in millions of dollars)



2011 and Beyond:

Making the Connection - Pursuing Innovation & Demonstrating Value

Moving forward, the Agency's strategy is to focus on growth and providing exceptional service to our clients to support our vision to be the most trusted provider of clean water services. Essential to our strategy is the need to build a culture of innovation – innovative technology, innovative process, and innovative thinking – with respect to our business, the water and wastewater industry and the service we provide to our clients.



OCWA's three core areas of strategic focus are:

Stewards of Public Health and the Environment

Public health and the environment are at the forefront of everything we do. The Agency strives to be recognized as a leading steward of public health and the environment. We are committed to the goal of being Ontario's market leader and will continue to improve OCWA's compliance record, pursue innovative and emerging technologies, provide Provincial emergency response and engage in conservation initiatives for energy and water.

Growth Through Service Excellence

The Agency is committed to being a complete water and wastewater service solutions provider whose activities go beyond our operations and maintenance role. In the coming years, OCWA will make every effort to retain our existing clients/contracts, expand the range of services offered to our clients, and develop new client relationships and strategic partnerships.

Lean & Efficient

OCWA continues to look for ways to improve its business and operational processes. Over the next three years, many of the Agency's critical business tools will be upgraded to ensure efficiency in achieving our clients' and our business needs. OCWA will invest substantially to establish a fully integrated data enterprise. The Agency will also assist clients in integrating efficiencies into their facilities through an increased focus on process optimization and implementation of innovative technologies and processes.

Management's Responsibility for Financial Information

Management and the Board of Directors are responsible for the financial statements and all other information presented in this annual report. The financial statements have been prepared by management in accordance with generally accepted accounting principles and, where appropriate, include amounts based on management's best estimates and judgements.

The Ontario Clean Water Agency is dedicated to the highest standards of integrity in its business. To safeguard assets, the Agency has a sound set of internal financial controls and procedures that balance benefits and costs. Management has developed and maintains financial and management controls, information systems and management practices to provide reasonable assurance of the reliability of financial information in accordance with the bylaws of the Agency. Internal audits are conducted to assess management systems and practices and reports are issued to the Senior Management Committee.

The Board of Directors ensures that management fulfills its responsibilities for financial information and internal control. The Board of Directors and the Audit and Risk Management Committee of the Board meet quarterly to oversee the financial activities of the Agency and at least annually to review the financial statements and the external auditor's report thereon, and recommend them to the Minister of Environment for approval.

The Auditor General has examined the financial statements. The Auditor General's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The Auditor's Report outlines the scope of the Auditor's examination and opinion.

Jane Pagel
President and Chief Executive Officer

Dan Atkinson
Acting Vice President, Finance and Corporate Services

Financial Discussion

The Agency faced many challenges in 2010. Although the economy started to show signs of recovery, the impact was still being felt by municipalities throughout the province as some municipalities were forced to delay or cancel major maintenance projects. This has impacted the Agency's bottom line due to lost fees to perform and support major maintenance projects.

In addition, the combination of client take backs and the loss of a significant contract through the competitive bid process resulted in the forecasted operations and maintenance revenue growth not materializing in 2010. The lost margin associated with those contracts negatively impacted the 2010 net income. However, in 2010 OCWA was successful in negotiating a 5-year contract with the Agency's second largest client, Regional Municipality of Waterloo valued at $6.9M annually. The new agreement, which takes effect in 2011, is an improvement to the previous contract as it more equitably distributes risk of costs likely to experience market volatility.

Ancillary services offered by our Engineering, Training, Asset Management and Distribution & Collection services faced challenges in 2010. The performance of these ancillary services has contributed to the Agency's reduced Net Income. The expected growth in Training services did not materialize as course cancellations were experienced. In addition Engineering, Asset Management & Distribution & Collection services planned projects did not materialize. In 2010 the Executive Management advised the Board of Directors that the Agency would decentralize its Distribution and Collection services due to disappointing financial results, opting to offer distribution and collection service at the hub level.

In 2010 the Agency was able to achieve cost controls in the discretionary spending as the Agency made available video conference options for internal meetings.

Balance Sheet

The Equity position of the Agency was $184.4M, which is comprised of the Retained Earnings balance of $90M and the Contributed Surplus balance of $94.4M. The contributed surplus represents the net value of assets received from the Province of Ontario at the inception of the Agency. In 2010, an adjustment of $1.6M was made to the Contributed Surplus related to claims against events that occurred prior to the establishment of the Agency. The Net Income for the year, including financing income was $.346M. In 2010, as in previous years, OCWA reported a strong position in cash and financial investments and no debt.
Total Assets at December 31, 2010 were $216.4M.

Revenues

Revenues on OCWA's operations and maintenance services increased by 3.6% compared to 2009. The annual consumer price index (CPI) adjustment contained in our operating contracts and contractual price changes were able to offset revenue losses from terminated contracts. In 2010 the Agency continued to provide major maintenance and ancillary services to clients. However, due to the economic impact on some communities, municipalities opted to scale back or cancel several maintenance projects. While this reduced revenue was experienced more in some regions than others, the overall impact resulted in reduced major maintenance revenue of 20% compared to 2009. Revenue from consulting services declined by 13% compared to 2009. While Revenues for Engineering Services remained at $1.8M, Asset Management and Training revenues declined to $1.3M and $0.6M respectively. However, the Agency is optimistic about growth opportunities in these areas in 2011 as sales plans will be executed to generate new business with existing clients. In addition the Agency anticipates that market research results would lead to potential areas of business growth outside of Ontario.

Expenses

In 2010 the emphasis on controlling expenditures continued. The Agency had established the target of reducing discretionary spending by an additional 5% compared to 2009. This target was surpassed by achieving a reduction of 19.1% in spending for items such as travel, hospitality and clothing. In addition to salary increases due to collective bargaining arrangements, the increase in the employer's matching contribution to the pension plans for staff has created an unplanned pressure for the Agency, resulting in an increase in pension expense of $0.5M.

Investment Income

The investment portfolio is made up of cash, term deposits and a portfolio of loans with varying maturity dates. Despite the failure of interest rates to recover significantly and the continued decline of the inherited loan portfolio, the investment income remained at the 2009 level of $2.7M. The Agency has 60% of the cash balance invested in one – two year certificates of deposits and the majority of these certificates came due in 2010. As such, interest rates on these investments showed no increase over 2009. The largest portion of the investment portfolio is related to an Infrastructure Ontario loan which is tied to market rates. As interest rates have started to improve, the Agency was able to realize an increase of 13 basis points on the interest rate, resulting in increased revenue of $.156M. Interest income on the remainder of the loan portfolio declined by 20% compared to 2009 as the inherited loans matured or clients decided to pay out current loan balances.

Future Accounting Pronouncements

Following discussions with the Province, the Agency has agreed to follow Public Sector Accounting Board (PSAB) reporting standards effective January 1, 2012.

Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Independent Auditor's Report

**To the Ontario Clean Water Agency,
the Minister of the Environment,
and to the Minister of Finance**

I have audited the accompanying financial statements of the Ontario Clean Water Agency which comprise the balance sheet as at December 31, 2010 and the statement of income and retained earnings and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Ontario Clean Water Agency as at December 31,2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Box 105, 15th Floor
20 Dundas Street West
Toronto, Ontario
M5G 2C2
416-327-2381
fax 416-327-9862

B.P. 105, 15e étage
20, rue Dundas ouest
Toronto (Ontario)
M5G 2C2
416-327-2381
télécopieur 416-327-9862

www.auditor.on.ca

**Toronto, Ontario
March 31, 2011**

**Jim McCarter, FCA
Auditor General
Licensed Public Accountant**

Balance Sheet - Assets

As at December 31, 2010	*(In thousands of dollars)* 2010	Dec. 31, 2009
Assets		
Current assets:		
Cash and short-term investments *(note 2f)*	**45,307**	50,171
Accounts receivable, net		
Municipalities and other customers *(note 2d)*	**17,203**	24,510
Ministry of the Environment	**414**	360
Harmonized sales tax receivable	**2,381**	1,229
Prepaid Expenses	**3,534**	3,223
Current portion of investments receivable for water and wastewater facilities *(note 2e)*	**786**	762
	69,625	80,255
Non-current assets		
Investments in term deposits *(note 2f)*	**16,702**	5,031
Investments receivable for water and wastewater facilities *(note 2e)*	**4,672**	5,526
Loan receivable - Infrastructure Ontario *(note 2i)*	**120,000**	120,000
Fixed assets, net *(note 3)*	**5,433**	4,570
	146,807	135,127
Total Assets	**216,432**	215,382

Balance Sheet – Liabilities and Equity

As at December 31, 2010	*(In thousands of dollars)* 2010	Dec. 31, 2009
Liabilities and Equity		
Current liabilities:		
Accounts payable and accrued liabilities	**18,678**	16,878
Current portion of employee future benefits *(note 7a)*	**2,996**	2,660
	21,674	19,538
Long-term liabilities:		
Municipal contributions payable *(note 2h)*	**252**	252
Employee future benefits *(note 7a)*	**10,112**	9,943
	10,364	10,195
Equity of Ontario:		
Contributed surplus *(note 5b)*	**94,393**	95,994
Retained earnings	**90,001**	89,655
	184,394	185,649
Contingencies *(note 6)*		
Total Liabilities and Equity	**216,432**	215,382

See accompanying notes to financial statements

On behalf of the Board

Director _____ Director _____

Statement of Income and Retained Earnings

For the year ended December 31, 2010	(In thousands of dollars) 2010	2009
Utility Operations Revenues:		
Utility operations	136,219	139,977
Fees	2,447	2,837
Total Operating Revenues	138,666	142,814
Operating Expenses:		
Salaries and benefits *(note 7a and note 7b)*	61,315	59,286
Other operating expenses	77,819	81,710
Amortization of fixed assets	1,787	2,006
Total Operating Expenses	140,921	143,002
Net Loss – Utility Operations	(2,255)	(188)
Financing Revenues:		
Interest from investments, loans receivable and facilities under construction *(note 2g)*	2,712	2,696
Total Financing Revenues	2,712	2,696
Financing Expenses:		
Loan administration expenses	51	60
Amortization of fixed assets	60	60
Total Financing Expenses	111	120
Net Income – Financing	2,601	2,576
Net Income for the Year	346	2,388
Retained earnings, opening balance	89,655	87,267
Retained earnings, ending balance	90,001	89,655

See accompanying notes to financial statements

Statement of Cash Flows

For the period ended December 31, 2010	(in thousands of dollars) 2010	Dec. 31, 2009
Cash Provided by (used for) Operating Activities		
Net Loss - Utility Operations	(2,255)	(188)
Items Not Affecting Cash		
Amortization of fixed assets	1,787	2,006
Increase in future employee benefits expense	505	103
(Decrease) in municipal contributions payable	0	(5)
	37	1,916
Changes in non-cash operating working capital		
Accounts Receivable	6,101	430
Prepaid Expenses	(311)	(272)
Accounts Payable and Accrued Liabilities	1,800	(616)
	7,590	(458)
Net Cash Flows from operating activities	7,627	1,458
Cash Used in Investing Activities		
Interest Received	2,712	3,136
Principal Repaid on Loans	830	1,098
(Increase) decrease in non current Term Deposits	(11,671)	20,969
Fixed Assets Acquired	(2,710)	(2,627)
Financing Expenses	(51)	(60)
Net cash flows from investing activities	(10,890)	22,516
Cash Used in Financing Activities		
Changes in Contributed Capital (note 5b)	(1,601)	(53)
Increase / (Decrease) in Cash	(4,864)	23,921
Cash and Short-Term Investments, Opening Balance	50,171	26,250
Cash and Short-Term Investments, Closing Balance	45,307	50,171

General

The Ontario Clean Water Agency (The "Agency") was established on November 15, 1993, under the authority of the *Capital Investment Plan Act, 1993* (the "Act").

In accordance with the Act, the Agency's objectives include:

- assisting municipalities to provide water and wastewater services on a cost-recovery basis by financing, planning, developing, building and operating such works and services;
- financing, building and operating water and wastewater facilities on behalf of Ontario on a cost-recovery basis; and
- providing these services to protect human health and the environment, encouraging conservation of water resources and supporting Provincial policies for land use and settlement.

The Agency is exempt from Federal and Provincial income taxes.

1. Significant Accounting Policies

These financial statements are prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) as prescribed by the Canadian Institute of Chartered Accountants. Included below are those accounting policies that are of significance to the Agency.

(a) Cash and short-term investments

Cash and short-term investments are highly liquid investments with original maturities due within one year.

(b) Fixed assets

Major capital expenditures with a future useful life beyond the current year are capitalized at cost.
Fixed assets are being amortized on a straight line basis as follows:

Computer software	2 years
Information systems	7 years
Furniture and fixtures	5 years
Automotive equipment	4 - 20 years
Computer hardware	3 - 7 years
Machinery and equipment	5 years
Leasehold improvements	Life of the lease

(c) Revenue recognition

Revenue on contracts with clients for the operation of water and wastewater treatment facilities based on a fixed annual price is recognized in equal monthly amounts as earned.

Revenue on contracts with clients based on the recovery of costs plus a percentage markup or recovery of costs plus a fixed management fee is recognized at the time such costs are incurred.

Revenue for additional work for clients outside the scope of the operations and maintenance contract, such as capital repairs on equipment, is recognized when the costs are incurred, and normally includes a pre-determined markup on cost.

(d) Financial Instruments

A financial instrument is an asset or liability that will ultimately be settled in cash.

All financial instruments are classified into one of the following five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets, or other financial liabilities. Initial and subsequent measurement and recognition of changes in the value of financial instruments depends on their initial classifications. At the Agency, the following classifications have been made:

- Cash and short-term investments are classified as held-for-trading and consists of highly liquid investments, including deposit certificates of up to one year that can be readily converted into cash.
- Accounts Receivable are classified as loans and receivables, and are valued at face value because they are due within one year.
- Term deposits are classified as a held-to-maturity investment and are valued at face value. Accrued interest is recorded in accounts receivable and net income.
- Investments Receivable for water and wastewater facilities are classified as loans and receivables are initially measured at fair market value and subsequently valued at amortized cost using the straight line amortization method. Amortization is charged to the Statement of Income and Retained Earnings.
- The Loan Receivable from Infrastructure Ontario is classified as an available-for-sale financial asset and is valued at face value, which is essentially the same as fair market value because of the nature of variable-rate financial instruments.
- Accounts payable and accrued liabilities are classified as other financial liabilities and are recorded at face value because they are due within a year.

(e) Use of estimates

The preparation of financial statements in accordance with Generally Accepted Accounting Principles (GAAP) requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenditures for the period. Actual amounts could differ from these estimates.

2. Financial Instruments

(a) Fair Value

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	31 December 2010	
(in thousand of dollars)	**Carrying Amount**	**Fair Value**
Cash and Short-Term Investments	45,307	45,613
Accounts Receivable	19,998	19,998
Investments in Term Deposits	16,702	16,712
Investments Receivable	5,458	6,017
Loan Receivable-Infrastructure Ontario	120,000	120,000
Accounts Payable and Accrued Liabilities	18,678	18,678

2. Financial Instruments (cont'd)

(b) Credit Risk

The carrying value of financial assets represents the maximum exposure to credit risk as at December 31, 2010, as follows:

	(in thousand of dollars)
Cash and Short-Term Investments	45,307
Accounts Receivable	19,998
Investments in Term Deposits	16,702
Investments Receivable	5,458
Loan Receivable-Infrastructure Ontario	120,000

(c) Interest Rate Risk

The agency is subject to interest rate risk on the following financial assets:

	Amount *(in thousand of dollars)*	Interest Rate	Maturity
Infrastructure Ontario	120,000	variable	Mar. 2023
Cash	23,574	variable	
Short-Term Investments	21,733	1.90% - 3.16%	Mar. - Dec. 2011
Term Deposits	16,702	2.11% - 2.20%	Dec. 2012

Had interest rates been 1% higher (lower) in December 2010, Financing Income would have been $1.8 million higher (lower).

(d) Accounts Receivable Municipalities and Other Customers

The Agency is not exposed to significant credit risk as receivables are due from municipalities and payment in full is usually collected. Credit rating reviews are performed for non-municipal clients.

The aging of accounts receivable as at December 31, 2010 was as follows:

	(In thousands of dollars)
0-30 days	11,844
31-60 days	2,188
61-90 days	1,835
91-120 days	595
121-150 days	56
More Than 151 days	963
Accounts Receivable (Gross)	17,481
Allowance for Doubtful Accounts January 1, 2010	(1,713)
Decrease in Allowance	1,435
Allowance for Doubtful Accounts December 31, 2010	(278)
Total Net Accounts Receivable Municipalities and Other Customers	**17,203**

(e) Investments Receivable for Water and Wastewater Facilities

These investments represent the outstanding principal portion of amounts receivable from clients for capital expenditures undertaken by the Agency on their behalf, and recoverable operating costs, if any, not billed.

The investments receivable are supported by agreements that bear interest at rates between 5.96% and 10.52%. Scheduled principal repayments of the investments are as follows:

(12 Months Beginning December)	*(In thousands of dollars)*
2011	786
2012	813
2013	815
2014	796
2015	675
Thereafter	1,498
	5,383
Less: Current portion	786
	4,597
Adjustment to Amortized Cost	75
	4,672

2. Financial Instruments (cont'd)

In August of 1999, the Agency entered into a loan agreement to finance the construction of a water pipeline, which was completed in May 2000. The outstanding loan balance including accumulated interest was $18.6 million at March 31, 2005. The loan agreement specified that repayment would be through sales of water, rather than according to a predetermined schedule. As of December 31, 2010, no principal or interest payments have been made. Currently, the pipeline and the payments of the outstanding loan is the subject of ongoing discussions amongst various levels of government. Given the significant uncertainty regarding future water sales, the Agency has recognized the loan as fully impaired and accordingly the loan amount of $18.6 million has been reflected in an allowance for loan impairment. Commencing with the date the loan was classified as impaired (January 1, 2006), the Agency ceased accruing interest revenue which as at December 31, 2010 totaled $7.6 million.

Other than as described in this note, there are no other provisions established for investment receivables.

(f) Investments in Term Deposits (GIC)

The Agency has $38.4 million invested in GIC's of which $21.7 million have a one term deposit with the rates ranging from 1.90% to 3.16% and $16.7 million have a two year term with rates ranging from 2.11% to 2.20%.

(g) Financing Revenue

Financing revenue is broken down as follows:

	(in thousands of dollars)
(a) Interest from Cash and Short-Term Investments	1,440
(b) Interest from Investment Receivable	401
(c) Interest from Loan Receivable-Infrastructure Ontario	845
(d) Interest from Investment in Term Deposits	26
Total	**2,712**

(h) Municipal Contributions Payable

At December 31, 2010, the Agency held funds on behalf of the municipalities amounting to $0.3 million (2009 - $0.3 million). These funds are included in cash and short-term investments.

(i) Loan Receivable – Infrastructure Ontario

The Agency has a loan of $120 million with Infrastructure Ontario, an agency of the provincial government, which matures on March 1, 2023. The interest on the note is paid quarterly, with a rate set at four basis points below the average monthly Canadian Dollar Offered Rate. The market value of the note approximates cost.

(j) Other

Other than as described in these notes, the Agency is not exposed to any additional currency, liquidity or other price risk on its financial instruments.

3. Fixed Assets

(in thousands of dollars)	Cost	Accumulated Amortization	**Net Dec. 31, 2010**	Net Dec. 31, 2009
Computer Software	5,111	4,558	**553**	220
Information systems	2,250	970	**1,280**	1,482
Furniture and fixtures	1,790	1,694	**96**	144
Automotive equipment	3,123	935	**2,188**	1,498
Computer hardware	9,562	8,495	**1,067**	873
Machinery and equipment	855	631	**224**	259
Leasehold improvements	6,787	6,762	**25**	94
	29,478	24,045	**5,433**	4,570

4. Lease Commitments

Annual lease payments under operating leases for rental of office equipment, premises and vehicles in aggregate are as follows:

(in thousands of dollars)	
2011	1,960
2012	1,089
2013	357
2014	73
2015	50
Thereafter	133
	3,662

5. Equity Of Ontario

(a) Available Capital

During the last several years, the Agency has been moving towards full cost recovery in its water and wastewater operations.

The Agency works closely with the Province, its sole shareholder, regarding the investment of its large amount of capital resources, including the $120 million variable-rate interest rate loan to Infrastructure Ontario and its cash balance and investments in term deposits of $62.0 million. The Province has considerable influence on the use of these resources.

5. Equity Of Ontario (cont'd)

(b) Contributed Surplus

When the Agency was first established, the opening contributed surplus was received from the Province of Ontario in the form of the book value of net assets in excess of obligations assumed.

The adjustments to the opening balance relate to repairs and maintenance, legal costs and the write off of provincial assistance advances that were agreed to prior to the establishment of the Agency. During 2010, the Agency agreed to pay $1.6 million to the Province and the Province agreed to indemnify the Agency from any liability regarding several multi-million dollar claims filed against it by the Township of Atikokan. The amount has been recorded as an adjustment to contributed surplus because the claims relate to events that occurred before the Agency was established.

(In thousands of dollars)	**December 31, 2010**	December 31, 2009
Opening balance, January 1	**95,994**	96,047
Adjustments to opening balance	**(1,601)**	(53)
	94,393	95,994

6. Contingencies

The Agency is the defendant in a number of lawsuits. Most of these claims are covered by insurance after the application of a deductible, ranging from $5,000 to $100,000, depending on when the event giving rise to the claim occurred and the nature of the claim. The outcome of the lawsuits cannot be determined at this time.

7. Related Party Transactions

(a) Non-Pension Employee Future Benefits

The Agency is responsible for its accrued legislated severance, unpaid vacation, and workers compensation obligations.

The costs of these employee future benefits have been estimated at $13.1 million (2009 - $12.6 million) of which $3.0 million (2009 - $2.7 million) has been classified as current liability. The amount charged to the income statement in 2010 was $2.1 million (2009 - $1.7 million) and is included in salaries and benefits expense in the Statement of Income and Retained Earnings.

Included in employee future benefits is an estimated workers compensation obligation in the amount of $2.1 million (2009 - $2.3 million). This amount has been determined from the most recent available actuarial calculations provided by the Workplace Safety and Insurance Board (WSIB) as at December 31, 2009.

It is management's opinion that the balance at December 31, 2010 will not be materially different. Adjustment to the estimated WSIB obligation cumulative balance, if any, will be made in the year the updated balance is provided by WSIB.

The cost of other post-retirement, non-pension employee benefits is paid by the Province and therefore is not included in the financial statements.

(b) Pension Plan

The Agency's full-time employees participate in the Public Service Pension Fund (PSPF) and the Ontario Public Service Employees' Union Pension Fund (OPSEU-PF), which are defined benefit pension plans for employees of the Province and many provincial agencies. The Province of Ontario, which is the sole sponsor of the PSPF and a joint sponsor of the OPSEU-PF, determines the Agency's annual payments of the funds. As the sponsors are responsible for ensuring that the pension funds are financially viable, any surpluses or unfunded liabilities arising from statutory actuarial funding valuations are not assets or obligations of the agency. The Agency's annual payments of $3.1 million (2009 - $2.6 million), are included in salaries and benefits in the Statement of Income and Retained Earnings.

(c) Other

As a result of the relationship of the Agency with the Province, the following related party transactions exist:

(i) The Agency received revenue of $2.8 million (2009 - $2.3 million) from the Ontario Realty Corporation for water and wastewater treatment services OCWA provided. The services were provided at competitive rates similar to those of other OCWA clients.

(ii) The Agency received revenue of $2.2 million (2009 - $2.6 million) from the Ministry of the Environment for water and wastewater treatment services OCWA provided. The services were provided at competitive rates similar to those of other OCWA clients. In addition, the Agency received $0.3 million (2009 - $0.4 million) for the Emergency Preparedness Funding

(iii) The Agency has a $120 million loan receivable with Infrastructure Ontario, as described in note 2 (i).

(iv) The Agency relies on the Province to process its payroll and administer it benefits, and to obtain some internal audit and legal services. The Province absorbs some of these administrative costs.

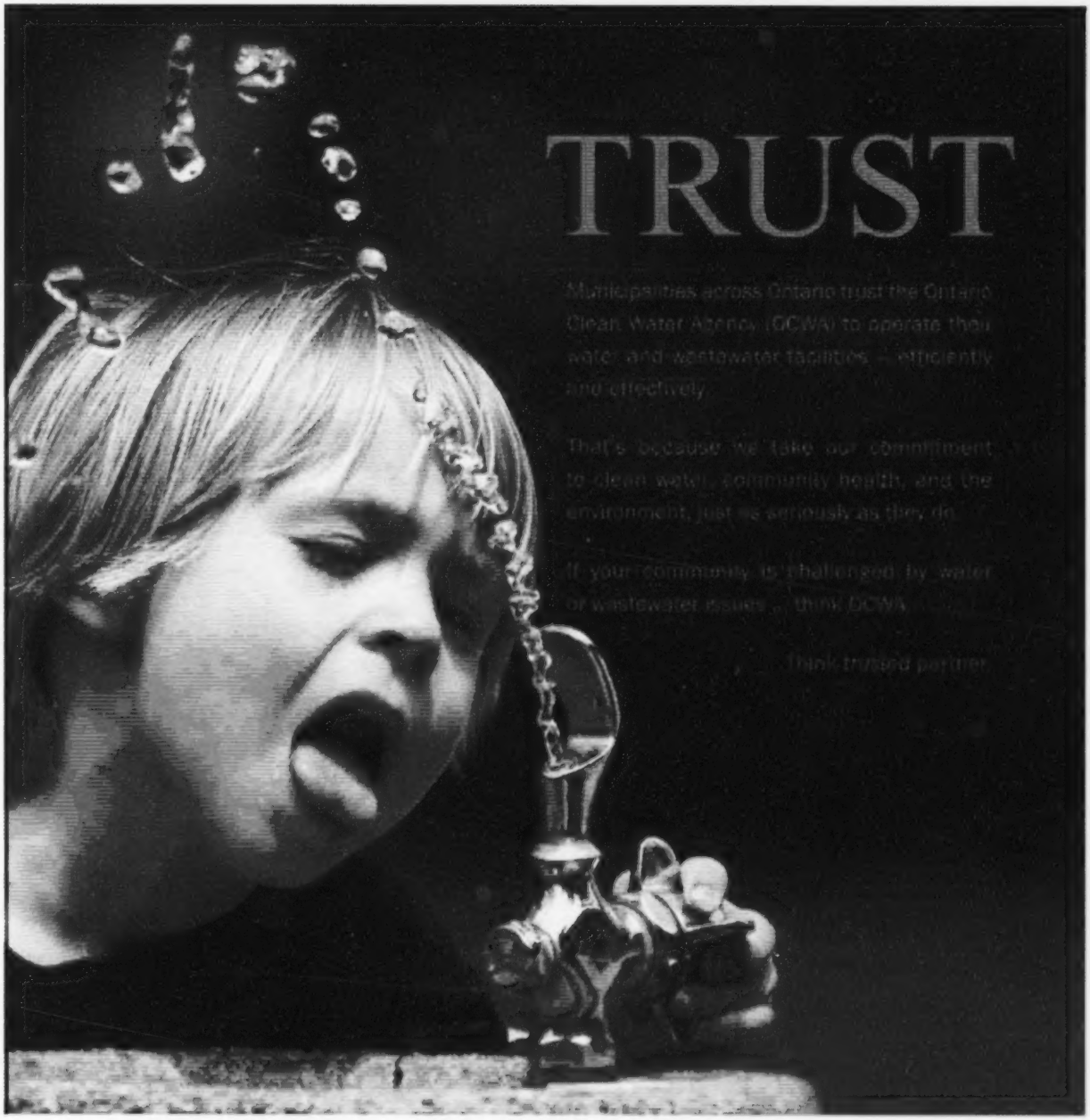
(v) The Agency has a $1.0 million (2009 - $0.8 million) accounts payable to the Ministry of the Environment for rent proceeds it collects for a property, net of realty taxes paid, managed on behalf of the Ministry.

8. Future Accounting Pronouncements

After discussions with the province, the Agency was classified as a government not-for-profit and follows Public Sector Accounting Board (PSAB) supplemented with the not-for-profit standards effective January 1, 2012.

9. Reclassification

Some of the prior year numbers have been reclassified to conform with the current year presentation.


TRUST
Municipalities across Ontario trust the Ontario Clean Water Agency (OCWA) to operate their water and wastewater facilities – efficiently and effectively.
That's because we take our commitment to clean water, community health, and the environment, just as seriously as they do.
If your community is challenged by water or wastewater issues ... think OCWA.
... think trusted partner.

ONTARIO CLEAN WATER AGENCY
AGENCE ONTARIENNE DES EAUX

For additional information, or to enquire about job opportunities, call us at **1-800-667-OCWA** or look us up on the internet at **www.ocwa.com.**

ONTARIO CLEAN WATER AGENCY
AGENCE ONTARIENNE DES EAUX

1.800.667.6292

www.ocwa.com

Corporate Office
1 Yonge Street, Suite 1700
Toronto, ON M5E 1E5
General Inquiry: 416.314.5600
Fax: 416.314.8300

Eastern Region Office
593 Norris Court
Kingston, ON K7P 2R9
Phone: 613.634.6292
Fax: 613.634.1942

Western Region Office
1100 Dearness Drive, Unit 18
London, ON N6E 1N9
Phone: 519.680.1310
Fax: 519.680.1390

Northern Region Office
335 Euclid Avenue
Thunder Bay, ON P7E 6G6
Phone: 807.475.1350
Fax: 807.475.1531

South Peel Region Office
1300 Lakeshore Road East
Mississauga, ON L5E 1E5
Phone: 905.274.1223
Fax: 905.274.5906

Waterloo Region Office
190 University Avenue East
Waterloo, ON N2J 4B8
Phone: 519.885.7022
Fax: 519.885.8192

Operational Excellence Centre
2425 Skymark Avenue, Unit 4
Mississauga, ON L4W 4Y6
Tel.: 905.206.1476
Fax.: 905.206.1405

This report was printed on Supreme 50% Recycled Matte Cover 100lb & Supreme 50% Recycled Matte Text 80lb using Eco friendly inks. By using recycled paper for the printing of this report, 1.79 trees were preserved for the future, 5.16 lbs of water-borne waste was not created, 758.6 gallons of wastewater flow was saved, 94.08 lbs of solid waste was not generated, 165.2 lbs of greenhouse gases were prevented and 1.3M BTUs of energy was saved.